

Italy – IT Services

A first solid step towards the creation of a leading ICT player

9th November 2021

TT TECNOSISTEMI ACQUISITION

RIC: DGV.MI
BBG: DGV IM

Digital Value announces the acquisition of a 51% stake in TT Tecnosistemi for 6.0x 2020 EV/EBITDA: a rather cheap acquisition in synergic segments and geographical areas in which DGV was not particularly strong and present. The acquisition of TTT represents the first right step towards the creation of a domestic aggregative pole in the ICT infrastructure segment.

Rating:

Buy

Price Target:

€ 122.00 (€ 115.00)

Upside/(Downside): 23.5%

Last Price: € 98.80

Market Cap.: € 983.3m

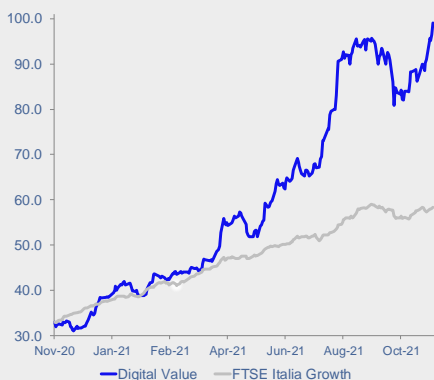
1Y High/Low: € 101.80/€ 30.50

Avg. Daily Turn. (3M, 6M): € 1.2m, € 1.1m

Free Float: 27.0%

Major shareholders:

DV Holding 66.7%



Stock price performance

	1M	3M	12M
Absolute	17.6%	8.6%	198.5%
Rel.to FTSE IT Growth	21.4%	7.7%	214.4%
Rel.to Peers	2.0%	-2.8%	126.9%

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A value accretive acquisition: new PT at € 122.0 (€ 115.0). Buy reiterated

This move brings in € 70.0m (€ 7.00/s) additional value to DGV. In addition, the acquisition is accretive at the EBITDA and Net Profit level. We have updated our model: the result is a 2.8% and 5.0% rise in EBITDA in 2022-23 and a 0.7% and 3.8% bottom line increase vs. our previous assumptions. As a consequence of the estimate revision and the update in the valuation criteria, new PT stands at € 122.0/s (€ 115.0), 23.5% upside. We reiterate our Buy recommendation on the stock.

A leading ICT infrastructure player in promising Central Italy

TT Tecnosistemi provides IT products and services on extremely competitive terms and is able to accelerate clients' digital transformation. It focuses on medium-large firms and PAs operating in the Fashion, Utilities, Health, Manufacturing and Retail segments. The firm develops tailor-made solutions from Business Intelligence to augmented reality and immersive virtual reality, passing through projects dedicated to Smart Cities and digital media, such as online brand management, the creation of e-commerce portals and apps for mobile devices. TT Tecnosistemi reported sales of € 44.9m, EBITDA of € 3.3m (7.3% margin), Net Profit of € 2.0m (3.3% margin) and NFP of € 3.5m (debt) in 2020.

A fairly cheap acquisition: 6.0x EBITDA20

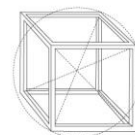
DGV purchases 51% of the company for € 8.5m. The price corresponds to a fairly cheap 6.0x 2020 EV/EBITDA, and it compares with DGV's 16.8x current market valuation. The deal envisages put-call options for the remaining 49% stake in TT Tecnosistemi: the first tranche for an additional 19% of TT Tecnosistemi can be exercised at the time of the approval of FY-21 results (indicatively at end-Mar 2022) and the last one accounting for 30% of the company at the time of the approval of FY-23 results (indicatively at end-Mar 2024). The last instalment can be paid in DGV shares. The basis for the appraisal of the remaining stake of 49% in TT Tecnosistemi will be FY-21 EBITDA and NFP.

The first move towards the creation of an Italian aggregative pole in ICT infrastructure

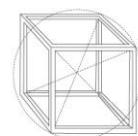
We really appreciate this move: a rather cheap acquisition in synergic segments and geographical areas in which DGV was not particularly strong and present. In our view, the possibility to rise TT Tecnosistemi's profitability and returns to DGV top-notch standards (EBITDA margin above 10% and ROCE of 25%) is a tangible goal. In the last few years DGV has focused on organic growth and organizational strengthening. Today DGV is ready to take a step forward and start a second phase in its development path: the creation of a domestic aggregative pole in the ICT infrastructure segment.

Digital Value, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	363.2	440.6	541.6	698.9	835.2
EBITDA	31.9	45.4	55.8	71.2	90.5
EBIT	27.1	34.0	41.2	52.2	74.6
Net profit	19.0	24.1	28.1	35.8	51.4
NFP (cash)/debt	(28.0)	(32.9)	(47.1)	(104.0)	(170.6)
EBITDA margin	8.8%	10.3%	10.3%	10.2%	10.8%
EBIT margin	7.5%	7.7%	7.6%	7.5%	8.9%
EPS FD	1.90	2.42	2.82	3.59	5.16
EPS FD growth	28.3%	27.0%	16.6%	27.4%	43.6%
DPS ord. €/s	-	0.00	0.00	0.00	0.00
Dividend Yield	-	-	-	-	-
ROCE	27.5%	25.0%	24.7%	25.5%	28.8%
NWC/Sales	-29.4%	-20.7%	-16.0%	-14.3%	-13.3%
Free Cash Flow Yield FD	-0.3%	0.5%	1.4%	5.8%	6.8%
PER x	6.4	10.5	35.0	27.5	19.1
EV/Sales x	0.26	0.50	1.73	1.26	0.97
EV/EBITDA x	2.9	4.9	16.8	12.4	9.0
EV/EBIT x	3.4	6.5	22.7	16.8	10.9



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Sales	363.2	440.6	541.6	698.9	835.2
Value of Production	364.8	442.3	542.9	700.3	836.9
Raw material and processing	(280.7)	(342.7)	(416.9)	(538.9)	(640.6)
Services	(38.2)	(40.2)	(54.3)	(70.0)	(83.7)
Personnel expenses	(13.6)	(13.6)	(14.8)	(18.8)	(20.5)
Other opex	(0.4)	(0.3)	(1.1)	(1.4)	(1.7)
EBITDA	31.9	45.4	55.8	71.2	90.5
D&A	(4.9)	(11.4)	(14.6)	(19.0)	(16.0)
EBIT	27.1	34.0	41.2	52.2	74.6
Financials	(0.3)	(0.5)	(1.0)	(1.0)	(1.0)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	26.8	33.6	40.2	51.2	73.6
Income taxes	(7.6)	(9.4)	(12.1)	(15.4)	(22.1)
Minorities	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Net Profit	19.0	24.1	28.1	35.8	51.4
Net Profit Adjusted	19.0	24.1	28.1	35.8	51.4
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(107.4)	(91.4)	(86.9)	(100.5)	(110.9)
Net Fixed Assets	47.9	50.2	66.5	60.6	57.6
Equity Investments	0.0	0.4	0.4	0.4	0.4
Other M/L Term A/L	101.1	101.7	94.6	93.1	91.4
Net Invested Capital	41.6	60.9	74.7	53.6	38.5
Net Financial Debt	(28.0)	(32.9)	(47.1)	(104.0)	(170.6)
Minorities	0.2	0.2	0.2	0.3	0.3
Group's Shareholders Equity	69.4	93.5	121.6	157.4	208.8
Financial Liabilities & Equity	41.6	60.9	74.7	53.6	38.5
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	19.0	24.1	28.1	35.8	51.4
Depreciation	4.9	11.4	14.6	19.0	16.0
Other non-cash charges	(24.2)	(1.3)	7.1	1.6	1.7
Cash Flow from Oper. (CFO)	(0.4)	34.1	49.8	56.3	69.1
Change in NWC	31.5	(16.0)	(4.6)	13.6	10.4
FCF from Operations (FCFO)	31.2	18.1	45.3	69.9	79.5
Net Investments (CFI)	(34.4)	(13.0)	(31.0)	(13.0)	(13.0)
Free CF to the Firm (FCFF)	(3.2)	5.1	14.3	56.9	66.5
CF from financials (CFF)	17.5	13.3	2.0	2.1	2.2
Free Cash Flow to Equity (FCFE)	14.2	18.4	16.3	59.0	68.8
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	8.8%	10.3%	10.3%	10.2%	10.8%
EBIT margin	7.5%	7.7%	7.6%	7.5%	8.9%
Net profit margin	5.2%	5.5%	5.2%	5.1%	6.2%
Tax rate	28.5%	28.1%	30.0%	30.0%	30.0%
Op NWC/Sales	-29.4%	-20.7%	-16.0%	-14.3%	-13.3%
Interest coverage x	0.01	0.01	0.02	0.02	0.01
Net Debt/EBITDA x	(0.88)	(0.72)	(0.84)	(1.46)	(1.88)
Debt-to-Equity x	(0.40)	(0.35)	(0.39)	(0.66)	(0.82)
ROIC	45.6%	39.6%	37.6%	66.8%	133.6%
ROCE	27.5%	25.0%	24.7%	25.5%	28.8%
ROACE	33.8%	29.0%	27.2%	28.1%	32.1%
ROE	27.3%	25.8%	23.1%	22.8%	24.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	9.97	9.97	9.97	9.97	9.97
Number of shares Fully Diluted # m	9.97	9.97	9.97	9.97	9.97
Average Number of shares Fully Diluted # m	9.97	9.97	9.97	9.97	9.97
EPS stated FD €	1.90	2.42	2.82	3.59	5.16
EPS adjusted FD €	1.90	2.42	2.82	3.59	5.16
EBITDA €	3.20	4.55	5.60	7.14	9.08
EBIT €	2.71	3.41	4.13	5.24	7.48
BV €	6.98	9.40	12.22	15.81	20.97
FCFO €	3.13	1.82	4.54	7.01	7.98
FCFF €	(0.32)	0.51	1.43	5.71	6.67
FCFE €	1.43	1.84	1.63	5.92	6.90
Dividend €	0.00	0.00	0.00	0.00	0.00



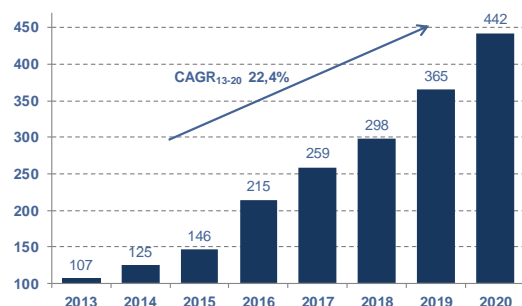
The company at a glance

Digital Value originates from the combination of two domestic IT system integrators, Italtware and ITD Solutions, with more than 30 years of experience in the field. The group supports the digital transformation of its customers through an offer of customised solutions and services. Headquartered in Milan, DGV (Digital Value) focuses on large accounts, i.e. firms with more than 500 employees, accounting for more than 50% of total IT spending in Italy in 2019 and the most promising segment in the IT services arena in terms of growth.

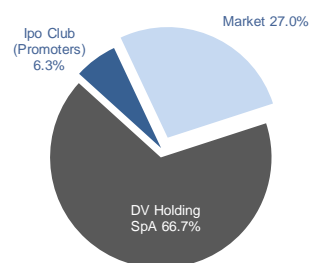
The group boasts key expertise in network infrastructure and data centres, security, network testing and monitoring, workstation management, Help Desk, data management and analysis, ERP systems management, retail applications, information systems, on-premise support and governance, outsourcing and cloud.

With its 193 employees, DGV reported 2020 Total Revenues of € 442.3m, EBITDA of € 45.4m (10.3% margin), Net Profit of € 24.1m and a Net Financial Position of € 32.9m (cash positive). With structurally negative Working Capital which aims to support growth, ROE of 25.7% and ROCE of 25.0%, DGV has a well-balanced and lucratively allocated capital structure. Currently, 100% of its business is generated in Italy.

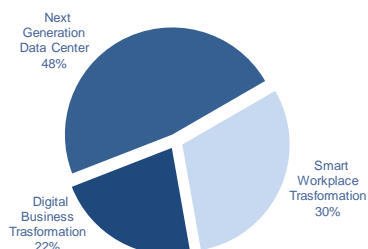
2013-20 top line progression



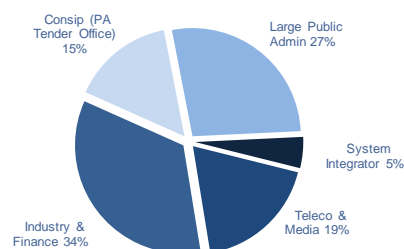
Fully diluted shareholder structure



FY-20 top line breakdown by line of business



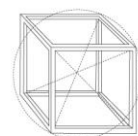
FY-20 top line breakdown by industry



Peer group multiples table

EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Accenture PLC	4.10	3.75	3.43	21.9	20.1	17.8	26.8	24.3	21.9
Alten SA	1.75	1.54	1.40	14.3	12.5	11.1	18.2	15.3	13.5
Atos SE	0.51	0.50	0.41	4.7	4.2	3.2	10.4	8.7	6.4
Aubay SA	1.48	1.45	1.35	12.2	12.0	11.2	14.4	14.1	13.1
Bechtle AG	1.35	1.23	1.11	20.6	18.8	17.2	26.9	24.4	21.9
Capgemini SE	2.19	1.97	1.79	14.0	12.4	11.0	18.9	16.3	14.3
CDW Corp	1.55	1.41	1.29	18.3	16.6	14.3	19.6	17.7	16.1
Computacenter PLC	0.46	0.42	0.39	8.9	8.5	7.9	12.2	11.6	10.7
Devoteam SA	1.52	1.36	1.20	12.4	11.1	9.9	13.8	12.2	10.6
Econocom Group SE	0.32	0.32	0.39	4.6	4.8	6.2	6.8	6.5	7.8
Indra Sistemas SA	0.72	0.65	0.60	7.0	6.1	5.4	9.9	8.5	7.4
Reply SpA	4.40	3.82	3.38	26.0	22.7	20.0	32.0	27.7	24.1
Sesa SpA	1.22	1.08	0.95	17.4	14.8	12.7	24.6	20.5	17.4
Sopra Steria Group SA	0.86	0.78	0.69	7.6	6.6	5.7	11.9	10.0	8.3
TietoEVRY Corp	1.33	1.27	1.20	7.0	7.1	6.7	10.1	10.5	9.7
Median	1.35	1.27	1.20	12.4	12.0	11.0	14.4	14.1	13.1
Digital Value SpA	1.73	1.26	0.97	16.8	12.4	9.0	22.7	16.8	10.9

Source: CFO Sim, Thomson Reuters Eikon



The target: TT Tecnosistemi

Established in 1984, TT Tecnosistemi is able to supply **IT market products and services** on extremely competitive terms, and is able to **accelerate the digital transformation** of its clients. It focuses on **medium-large enterprises and Public Administrations** operating in the **Fashion & Textile, Utilities, Health, Manufacturing and Retail segments**.

Over time, hardware and software have given way to **tailor-made solutions**, based on individual needs. From Business Intelligence to augmented reality and immersive and interactive virtual reality, passing through projects dedicated to Smart Cities and digital media, such as online brand management and e-commerce portals and apps for mobile devices. The main services offered include the management of integrated networking and security systems, data centre and virtualisation services, provided both 'on premises' and 'in the cloud', as well as next generation workstation management services.

Headquartered in Prato (Tuscany region), TT Tecnosistemi has a highly qualified **workforce of 150 people** and reported **revenues to the tune of € 44.9m**, EBITDA of € 3.3m (7.3% margin), EBIT of € 2.0m (4.5% margin), Net Profit of € 2.0m (3.3% margin) and NFP of € 3.5m (debt, 1x EBITDA) in 2020.

The deal: DGV pays 6.0x EBITDA₂₀

DGV purchases 51% of the company for € 8.5m. **The price corresponds to a fairly cheap 6.0x 2020 EV/EBITDA**, and it compares with DGV's 16.8x current market valuation.

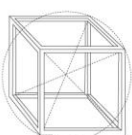
The deal envisages put-call options for the remaining 49% stake in TT Tecnosistemi: the first tranche for an additional 19% of TT Tecnosistemi can be exercised at the time of the approval of FY-21 results (indicatively at end-Mar 2022) and the last one for 30% at the time of the approval of FY-23 results (indicatively at end-Mar 2024). The last instalment can be paid via DGV shares. **The basis for the appraisal of the remaining stake of 49% in TT Tecnosistemi will be FY-21 EBITDA and NFP.**

Our view: an impeccable move!

We really appreciate this move: **a rather cheap acquisition in synergic segments and geographical areas** in which DGV was not particularly strong and present. We also like that the major shareholder and founder, Mr. Bruschi, will continue to serve as CEO of the company in order to support and lead the integration with DGV.

In our view, the possibility to increase TT Tecnosistemi's profitability and returns to DGV top-notch standards (EBITDA margin above 10% and ROCE of 25%) is a tangible goal.

In the last few years DGV has been focusing on organic growth and organizational strengthening. Today DGV is ready to take a step forward and start a second phase in its development path: **the creation of a domestic aggregative pole in the ICT infrastructure segment**. The acquisition of TTT represents the first right step in this direction.



Estimates, Valuation & risks

This acquisition brings in € 70.0m (€ 7.00/s) additional value to DGV. In addition, the move is accretive at the EBITDA and Net Profit level, already as from 2022, the first year of full consolidation. Our projections for the newly acquired company foresee top line growing by 10% p.a. and EBITDA gradually matching DGV's current margin level of 10% in three years' time, as a result of distributors' disintermediation. We have updated our model to factor in the TT Tecnosistemi consolidation: **the result is a 2.8% and 5.0% rise in EBITDA in 2022-23 and a 0.7% and 3.8% increase** in bottom line vs. our prev. assumptions.

Table 1 – Digital Value, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	542.9	542.9	0.0	0.0
EBITDA	55.8	55.8	0.0	0.0
% margin	10.3	10.3		
EBIT	41.2	41.2	0.0	0.0
% margin	7.6	7.6		
Net Profit	28.1	28.1	0.0	0.0
% margin	5.2	5.2		
Y/E net debt (net cash)	(47.1)	(65.1)	(27.6)	18.0

Sources: Company data, CFO Sim

Table 2 – Digital Value, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	700.3	652.0	7.4	48.3
EBITDA	71.2	69.2	2.8	2.0
% margin	10.2	10.6		
EBIT	52.2	51.9	0.7	0.4
% margin	7.5	8.0		
Net Profit adj.	35.8	35.6	0.7	0.3
% margin	5.1	5.5		
Y/E net debt (net cash)	(104.0)	(112.7)	(7.7)	8.7

Sources: Company data, CFO Sim

Table 3 – Digital Value, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	836.9	784.5	6.7	52.4
EBITDA	90.5	86.2	5.0	4.3
% margin	10.8	11.0		
EBIT	74.6	71.9	3.7	2.7
% margin	8.9	9.2		
Net Profit	51.4	49.6	3.8	1.9
% margin	6.1	6.3		
Y/E net debt (net cash)	(170.6)	(176.7)	(3.5)	6.1

Sources: Company data, CFO Sim

The pandemic contributed to revealing many of the technological and innovation gaps in the digitisation areas of firms and PAs. The group will be able intercept the megatrend related to **the acceleration in the digitisation process also driven by the massive impact of the Recovery Fund**, being its second most important pillar with € 46bn out of € 210bn. DGV aims to consolidate its role of a trusted, large Hyper Value-Added Reseller, fostering the adoption of the newest technologies which allow the scouting of the 'best-of-breed' solutions in the offering of the most innovative global vendors. All of this is provided via an integrated two-sided platform approach which directly connects DGV with its customers and vendors, increasing the value for all stakeholders.

As a consequence of the estimate revision and the update in the valuation criteria, **new PT stands at € 122.0/s (€ 115.0), 23.5% upside**. The balance sheet solidity and a considerable cash pile at end-21 allow DGV to consider another round of acquisitions, adding further appeal to the stock, after giving it some thoughts in the months following the acquisition of TT Tecnosistemi. **CFO Sim reiterates the Buy rating on the shares.**



DCF

In our DCF-based valuation, we assess explicit estimates until 2025 and assume a long-term growth rate of 2.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 5 - WACC derived from:

Interest costs, pre-tax	2.0%
Tax rate	30.0%
Int. costs, after taxes	1.4%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200D Moving Average)	0.71%
Beta levered (x)	1.00
Required ROE	9.7%

Sources: CFO Sim, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all concerns and disquiet an investor might have with regard to the Euronext Growth Milan market segment. **Beta has been assumed conservatively at 1.00x**. The WACC is computed by using a 20:80 debt/equity balance-sheet structure, thus taking into account some leverage required for a potential acquisition campaign.

Table 6 - Digital Value, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	41.2	52.2	74.6	92.7	112.3	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	28.8	36.6	52.2	64.9	78.6	
Change working capital	(4.6)	13.6	10.4	1.0	(0.1)	
Depreciation	14.6	19.0	16.0	9.0	2.0	
Investments	(31.0)	(13.0)	(13.0)	(7.5)	(2.0)	
Free Cash Flows	7.9	56.1	65.6	67.4	78.5	1,323.6
Present value	7.8	51.4	55.5	52.8	57.0	960.3
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	
Long-term growth rate	2.0%					

Source: CFO Sim

Table 7 – Digital Value, DCF derived from:

€ m	
Total EV present value € m	1,184.8
<i>thereof terminal value</i>	81.1%
NFP last reported	32.9
Pension provision last reported	(1.1)
Equity value € m	1,216.6
#m shares	9.97
Equity value €/s	122.00
<i>% upside/(downside)</i>	23.5%

Source: CFO Sim

By applying our DCF model we obtained an equity value of Digital Value of € 1,216.6m, 122.00/s, 23.5% upside.

The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value/s of between **€ 107.56-142.23/s (perpetuity range between 0.00% and 2.00%)**, while, 2) if compared to changes in the free risk rate, it produces an equity value/s of **€ 110.39-134.74/s (free risk range between 1.51% and 0.00%)** and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of **€ 96.55-165.89/s (risk premium range between 11.00% and 7.00%)**.

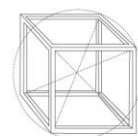


Table 8 – Digital Value, equity value sensitivity to changes in terminal growth rate

€ m	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
Present value of CF	224.5	224.5	224.5	224.5	224.5	224.5	224.5	224.5	224.5
PV of terminal value	816.0	848.1	882.7	920.0	960.3	1,004.2	1,051.9	1,104.2	1,161.7
Total value	1,040.6	1,072.7	1,107.2	1,144.5	1,184.8	1,228.7	1,276.5	1,328.8	1,386.2
NFP last reported	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Pension provision last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Equity value	1,072.3	1,104.4	1,138.9	1,176.2	1,216.6	1,260.4	1,308.2	1,360.5	1,418.0
Equity value/share €	107.56	110.78	114.24	117.98	122.00	126.42	131.22	136.46	142.23

Source: CFO Sim

Table 9 – Digital Value, equity value sensitivity to changes in free risk rate

€ m	0.00%	0.11%	0.31%	0.51%	0.71%	0.91%	1.11%	1.31%	1.51%
Present value of CF	227.6	227.1	226.3	225.4	224.5	223.7	222.8	222.0	221.1
PV of terminal value	1,084.0	1,062.5	1,026.5	992.5	960.3	929.9	901.0	873.5	847.5
Total value	1,311.6	1,289.6	1,252.7	1,217.9	1,184.8	1,153.5	1,123.8	1,095.5	1,068.6
NFP last reported	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Pension provision last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Equity value	1,343.3	1,321.3	1,284.4	1,249.6	1,216.6	1,185.2	1,155.5	1,127.2	1,100.3
Equity value/share €	134.74	132.54	128.84	125.34	122.00	118.89	115.90	113.07	110.37

Source: CFO Sim

Table 10 – Digital Value, equity value sensitivity to changes in risk premium

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	233.4	231.1	228.9	226.7	224.5	222.4	220.3	218.2	216.2
PV of terminal value	1,388.7	1,254.6	1,141.2	1,044.2	960.3	887.1	822.7	765.5	714.6
Total value	1,622.1	1,485.7	1,370.1	1,270.9	1,184.8	1,109.5	1,042.9	983.8	930.8
NFP last reported	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Pension provision last reported	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Equity value	1,653.9	1,517.4	1,401.8	1,302.6	1,216.6	1,141.2	1,074.7	1,015.5	962.5
Equity value/share €	165.89	152.21	140.61	130.66	122.00	114.47	107.79	101.86	96.55

Source: CFO Sim

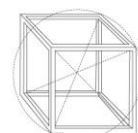
Market multiples

We conducted an analysis on a cluster of 15 companies operating in the large digital IT system integration segment.

Accenture – USA: it is a multinational organisation offering management and strategic consulting services as well as technology services and outsourcing solutions in a vast array of industries.

Alten – France: it operates in engineering and technology consulting, and provides support for its clients' development strategies in the fields of innovation, R&D and IT systems.

Atos – France: it is a global leader in digital transformation. A European leader in Cloud, Cybersecurity and High-Performance Computing, Atos provides end-to-end Orchestrated Hybrid Cloud, Big Data, Business Applications and Digital Workplace solutions through its Digital Transformation Factory, as well as transactional services through Worldline, the European leader in the payment industry.



Aubay – France: it is a digital services company and operates in high added-value markets, in France and elsewhere in Europe. From advice to all kinds of technological projects, Aubay accompanies the transformation and modernization of information systems in all sectors, including industry, R&D, telecommunications and infrastructure, and specifically major banks and insurance companies.

Bechtle – Germany: it is a digital services firm, with 80 offices in Germany, Austria and Switzerland as well as 24 e-commerce companies in 14 European countries. It combines direct IT product sales with extensive system integration services. Backed by extensive experience and expertise in future-proof IT architecture, Bechtle values traditional infrastructures just as highly as current trends like digitalisation, cloud computing, modern workplace, security and IT-as-a-Service.

Capgemini – France: the company provides IT consulting, outsourcing and professional services including application lifecycle services, big data analytics, supply chain management in several sectors including aerospace and defence, automotive, finance, industrial production, oil and gas, and TLC.

CDW Corp – USA: it is a leading multi-brand provider of information technology solutions to business, government, education and healthcare customers in the US, the UK and Canada. Founded in 1984, it employs approximately 10,000 staff. Its broad array of products and services range from hardware and software to integrated IT solutions such as security, cloud, hybrid infrastructure and digital experience.

Computacenter - UK: it is a leading independent provider of IT infrastructure services, supporting users and their business in the digital world. The firm advises organisations on IT strategy, implements the most appropriate technology, optimises their performance, and manages customers' infrastructures.

Devoteam – France: the group offers IT consulting services as well as system integration, project management, cyber security and outsourcing solutions.

Econocom – France: it helps companies and public organisations in their digital transformation process. It sustains them in getting the most out of digital processes by having them focus on users as the starting point of their digital transformation.

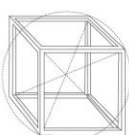
Indra Sistemas – Spain: it is a global technology and consulting company, which provides proprietary solutions in specific segments, such as Transport and Defence, Digital Transformation Consultancy and Information Technology in Spain and Latin America.

Reply – Italy: it is a highly specialised group, supporting leading industrial firms in defining and developing business models to optimise and integrate processes, applications and devices, using new technology and communication paradigms, such as Big Data, Cloud Computing, Digital Communication, Internet of Things, Mobile and Social Networking.

SeSa – Italy: it is a reference strategic partner and service integrator of IT Global Vendors. It is also leader in Italy in the distribution of value-added IT solutions for enterprises, including the sector's leading brands, particularly those in the segments.

Sopra Steria Group – France: it is an information technology consultancy company. Its primary business areas include consulting services, system integration services and solutions, integration of ERP solutions, implementation of application solutions, as well as subcontracting solutions for providing technical support to users, application maintenance and outsourcing services, and operation of professional processes.

Tieto – Finland: it is an IT software and services company providing IT and product engineering services. The company provides services to financial services, public, healthcare & welfare, industrial and consumer services.



Size and profitability vary a lot within the sample, as well as expected growth rates. Accenture is the largest player in the sample in terms of size and offers the highest EBITDA margin (18.7% margin). The least profitable is Computacenter with a 5.1% EBITDA margin. Within the sample, **DGV is the second smallest group** in terms of sales and EBITDA in absolute terms and shows an EBITDA margin broadly aligned with the group peer median. However, **it offers higher projected growth, both in terms of top line and margins compared to the peer median.** If we look at pure system integrators, DGV's profitability is in line with European best-in-class companies.

Table 11 - Digital Value, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP FY1	NFP/EBITDA
Accenture PLC	USA	207,990	49,075	9,188	18.7%	10.2%	15.6%	11.5%	10.7%	(7,021)	n.m.
Alten SA	France	5,197	2,869	349	12.2%	13.4%	27.5%	36.4%	11.5%	(186)	n.m.
Atos SE	France	4,847	11,079	1,199	10.8%	0.7%	-3.2%	-5.2%	27.1%	846	0.7
Aubay SA	France	753	469	57	12.1%	7.8%	10.8%	11.0%	7.1%	(58)	n.m.
Bechtle AG	Germany	8,624	6,359	418	6.6%	9.2%	9.5%	11.6%	9.9%	(10)	n.m.
Capgemini SE	France	35,687	18,025	2,824	15.7%	9.3%	11.7%	13.9%	14.0%	3,873	1.4
CDW Corp	USA	21,709	17,554	1,486	8.5%	11.0%	11.9%	18.9%	7.8%	5,442	3.7
Devoteam SA	France	1,397	837	102	12.2%	8.1%	4.8%	17.0%	10.9%	(128)	n.m.
Econocom Group SE	France	818	2,579	178	6.9%	2.1%	1.5%	3.9%	9.6%	3	0.0
Indra Sistemas SA	Spain	1,901	3,273	339	10.4%	5.0%	33.5%	73.8%	12.5%	456	1.3
Reply SpA	Italy	6,711	1,468	248	16.9%	13.6%	14.3%	15.8%	12.6%	(260)	n.m.
Sesa SpA	Italy	2,902	2,315	162	7.0%	12.6%	23.0%	23.8%	17.6%	(73)	n.m.
Sopra Steria Group SA	France	3,551	4,658	525	11.3%	6.3%	9.2%	17.1%	15.6%	440	0.8
TietoEVRY Corp	Finland	3,192	2,819	533	18.9%	2.1%	3.2%	2.8%	2.4%	553	1.0
Median		3,795	3,273	394	11.3%	9.2%	10.8%	13.9%	10.9%	(10)	1.0
Digital Value SpA	Italy	983	543	56	10.3%	23.7%	25.9%	29.9%	35.3%	(47)	n.m.

Sources: CFO Sim, Thomson Reuters Eikon

Table 12 - Digital Value, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Accenture PLC	4.10	3.75	3.43	21.9	20.1	17.8
Alten SA	1.75	1.54	1.40	14.3	12.5	11.1
Atos SE	0.51	0.50	0.41	4.7	4.2	3.2
Aubay SA	1.48	1.45	1.35	12.2	12.0	11.2
Bechtle AG	1.35	1.23	1.11	20.6	18.8	17.2
Capgemini SE	2.19	1.97	1.79	14.0	12.4	11.0
CDW Corp	1.55	1.41	1.29	18.3	16.6	14.3
Computacenter PLC	0.46	0.42	0.39	8.9	8.5	7.9
Devoteam SA	1.52	1.36	1.20	12.4	11.1	9.9
Econocom Group SE	0.32	0.32	0.39	4.6	4.8	6.2
Indra Sistemas SA	0.72	0.65	0.60	7.0	6.1	5.4
Reply SpA	4.40	3.82	3.38	26.0	22.7	20.0
Sesa SpA	1.22	1.08	0.95	17.4	14.8	12.7
Sopra Steria Group SA	0.86	0.78	0.69	7.6	6.6	5.7
TietoEVRY Corp	1.33	1.27	1.20	7.0	7.1	6.7
Median	1.35	1.27	1.20	12.4	12.0	11.0
Digital Value SpA	1.73	1.26	0.97	16.8	12.4	9.0
% premium/(discount)	27.6	(0.9)	(19.0)	35.0	2.6	(18.6)

Sources: CFO Sim, Thomson Reuters Eikon

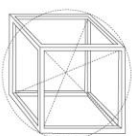


Table 13 - Digital Value, peer group EV/EBIT & price multiple table

X	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Accenture PLC	26.8	24.3	21.9	37.0	33.8	30.2
Alten SA	18.2	15.3	13.5	26.1	22.9	21.0
Atos SE	10.4	8.7	6.4	12.3	9.1	7.6
Aubay SA	14.4	14.1	13.1	23.4	21.7	20.4
Bechtle AG	26.9	24.4	21.9	38.4	35.2	31.8
Capgemini SE	18.9	16.3	14.3	25.2	21.3	19.4
CDW Corp	19.6	17.7	16.1	22.9	21.6	19.7
Computacenter PLC	12.2	11.6	10.7	18.8	18.7	18.0
Devoteam SA	13.8	12.2	10.6	27.1	24.6	22.1
Econocom Group SE	6.8	6.5	7.8	11.0	10.3	9.1
Indra Sistemas SA	9.9	8.5	7.4	13.1	11.7	10.3
Reply SpA	32.0	27.7	24.1	46.5	41.2	36.7
Sesa SpA	24.6	20.5	17.4	38.8	32.6	28.1
Sopra Steria Group SA	11.9	10.0	8.3	16.3	13.8	12.2
TietoEVRY Corp	10.1	10.5	9.7	11.5	11.5	10.9
Median	14.4	14.1	13.1	23.4	21.6	19.7
Digital Value SpA	22.7	16.8	10.9	35.0	27.5	19.1
% premium/(discount)	57.8	19.5	(16.9)	49.5	27.2	(3.1)

Sources: CFO Sim, Thomson Reuters Eikon

Italtware and ITD Solutions have shown a solid growth trend and a lucrative profitability profile since their establishment, over 30 years ago. We believe DGV bases its roots on two well-known, successful and reliable firms and must continue building on its solid track record with investors. We believe **DGV stock still deserves a certain discount to peer median not only due to the firm's small size but also to the lack of ample stock liquidity** on the back of the Euronext Growth Milan listing.

By applying the peer group EV/EBITDA and EV/EBIT multiple median, discounted by 10.0%, to DGV's metrics, we attain an **equity value of DGV of € 964.1m, or € 96.70/s**. We have used 2022-23 estimates and multiples (40-60 weighted, respectively), **in order to consider higher-than-peer median growth**.

Table 14 - Digital Value, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers (x)	1.35	1.27	1.20	12.4	12.0	11.0
DGV metric	541.6	698.9	835.2	55.8	71.2	90.5
NFP	47.1	104.0	170.6	47.1	104.0	170.6
DGV Equity Value	707.4	902.4	1,073.9	671.4	875.4	1,068.8
DGV Equity Value €/s	71.00	90.50	107.70	67.30	87.80	107.20
% upside/(downside)	(28.1)	(8.4)	9.0	(31.9)	(11.1)	8.5

Sources: CFO Sim, Thomson Reuters Eikon

Table 15 - Digital Value, equity assessment, 2#3

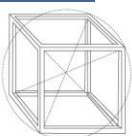
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers (x)	14.4	14.1	13.1	23.4	21.6	19.7
DGV metric	41.2	52.2	74.6	28.1	35.8	51.4
NFP	47.1	104.0	170.6	47.1	104.0	170.6
DGV Equity Value	581.0	766.2	1,050.4	592.0	695.5	912.9
DGV Equity Value €/s	58.30	76.90	105.40	59.40	69.80	91.60
% upside/(downside)	(41.0)	(22.2)	6.7	(39.9)	(29.4)	(7.3)

Sources: CFO Sim, Thomson Reuters Eikon

Table 16 - Digital Value, equity value assessment, 3#3

€ m	FY1	FY2	FY3
EV/EBITDA	671.4	875.4	1,068.8
EV/EBIT	581.0	766.2	1,050.4
Weighting	0.0%	40.0%	60.0%
Equity Value	964.1		
Per share €/s	96.70		
% upside/(downside)	-2.1%		

Sources: CFO Sim, Thomson Reuters Eikon



Peer stock performance

Digital Value was listed on Euronext Growth Milan on **8 November 2018 at € 10.0/share**, corresponding to a **post-money market capitalisation of € 89.1m** (including the Price Adjustment Shares held by Digital Value's core shareholders). Adopting the same approach used in setting up the peer sample for assessing DGV's value, we defined a panel of 15 firms operating in the digital IT systems integration segment. **DGV consistently outperformed peers and indexes** in the period analysed.

Table 17 - Digital Value, peer group absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Accenture PLC	(0.4)	3.3	12.4	14.8	26.3	40.5	55.3
Alten SA	1.1	6.3	23.5	11.4	47.4	63.5	100.9
Atos SE	(0.0)	(1.8)	(2.7)	(1.7)	(21.8)	(41.4)	(30.7)
Aubay SA	2.0	5.4	20.0	19.0	41.0	66.2	83.9
Bechtle AG	0.0	0.0	0.0	14.9	14.5	14.1	25.8
Capgemini SE	0.5	3.9	20.9	11.3	37.0	67.0	91.8
CDW Corp	(0.9)	(1.2)	6.2	(2.3)	8.1	40.6	34.2
Computacenter PLC	(1.3)	(1.1)	1.7	(4.7)	1.5	8.5	12.3
Devoteam SA	(0.3)	(0.3)	24.4	32.3	61.5	80.5	71.6
Econocom Group SE	(4.3)	(0.3)	19.4	5.0	18.4	53.6	81.0
Indra Sistemas SA	0.0	3.6	20.7	20.4	28.6	54.4	93.9
Reply SpA	0.8	7.6	19.3	18.3	57.6	88.6	81.0
Sesa SpA	2.7	11.5	15.7	22.3	57.9	82.1	118.6
Sopra Steria Group SA	1.4	1.9	12.1	2.1	12.8	31.0	55.9
TietoEVRY Corp	0.0	0.0	3.2	(7.4)	(1.5)	0.5	15.6
Median	0.0	1.9	15.7	11.4	26.3	53.6	71.6
Digital Value SpA	0.8	3.2	17.6	8.6	81.0	156.6	198.5

Source: Thomson Reuters Eikon

Table 18 - Digital Value, relative performances

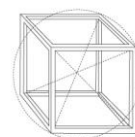
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	0.7	1.8	10.8	4.0	71.6	136.3	167.4
to EUROSTOXX	0.9	1.7	11.3	5.4	72.7	135.1	163.6
to FTSE Italia All Share	1.0	1.3	10.5	2.5	68.9	130.9	156.4
to FTSE Italia STAR	0.1	(0.1)	6.1	(2.7)	52.2	108.6	132.3
to FTSE Italia Growth	0.5	2.1	21.4	7.7	95.9	172.5	214.4
to Peer Median	0.8	1.4	2.0	(2.8)	54.7	103.0	126.9

Source: CFO Sim

Risks

The principal investment **risks associated with** Digital Value include:

- Risks linked to the postponement of some key projects;
- Risks due to competition in some segments, which might put margins or top line developments under pressure in the short term.
- Impact on the P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Profit margin dilution stemming from a potential acquisition campaign;
- The departure of one, or a few, of the key people.



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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DATE	TARGET PRICE	RATING
09/11/2021	€122.00	BUY
06/08/2021	€115.00	BUY
20/05/2021	€68.00	BUY
09/04/2021	€68.00	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

